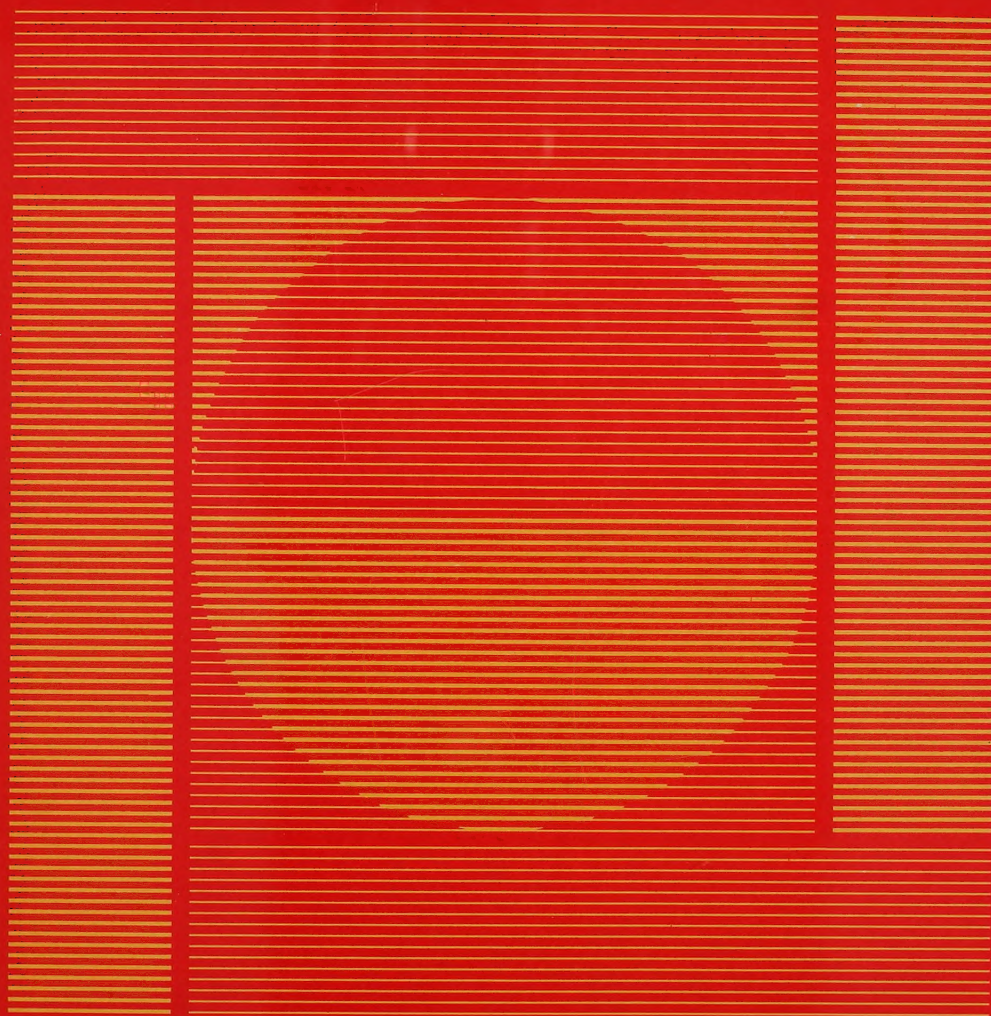
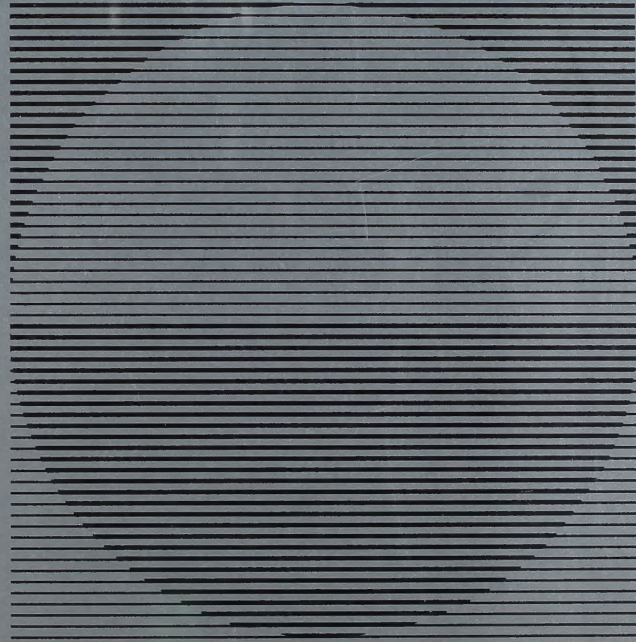


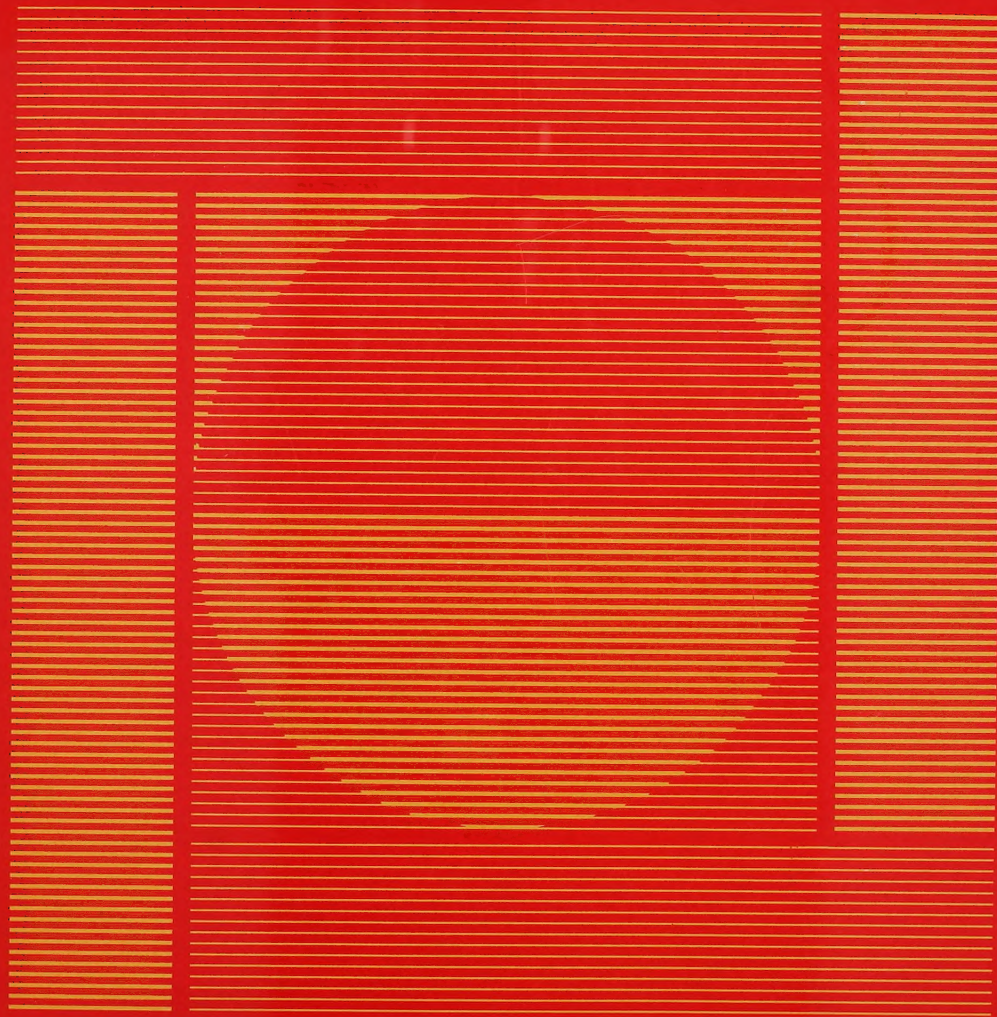
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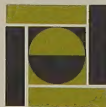
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AR07





**TRANSFER AGENT & REGISTRAR**

The Royal Trust Company

LEGAL COUNSELLang, Michener, Cranston,
Farquharson and Wright**AUDITORS**

Smith, Nixon & Co.

BANKERS

Bank of Montreal

The Annual Meeting
of Shareholders
will be held at 11 a.m.
on Friday, December 10th 1971
in the New Brunswick Room
at the Royal York Hotel,
100 Front St. West,
Toronto, Ontario

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HIGHLIGHTS OF 1971

	1971	1970	%
Net Sales	\$6,360,108	\$5,045,059	+ 26.1
Earnings Before Income Taxes	676,187	655,146	+ 3.2
Net Earnings	332,187	313,146	+ 6.1
Per Share of Common Stock	.25	.24	+ 4.2
Current Assets	3,186,092	2,347,233	+ 35.7
Current Liabilities	1,990,685	1,321,254	+ 50.7
Working Capital	1,195,407	1,025,979	+ 16.5
Shareholders' Equity	3,093,172	2,760,985	+ 12.0
Total Assets	5,097,699	4,096,392	+ 24.4



T.M. Devitt

DIRECTORS AND OFFICERS



R.E. Asseltine



P. Schoeffler-Lubbock



S.J. Thomas



D.H. Ross



H. Ritchie



R.A. Cranston

DIRECTORS

Robert E.T. Asseltine

General Manager
Murrith Photofax (Western) Ltd.

Robert A. Cranston

Partner
Lang, Michener, Cranston,
Farquharson and Wright

T.M. Devitt

President

Harry Ritchie

President
Rotaprint Company of Canada Limited -

Douglas H. Ross

General Sales Manager
Murrith Photofax (Western) Ltd.

Peter Schoeffler-Lubbock

Vice-President Marketing

S.J. Thomas

Treasurer

OFFICERS

T.M. Devitt, President

P. Schoeffler-Lubbock, Vice-President Marketing

R.E.T. Asseltine, General Manager, Western Region

D.H. Ross, General Sales Manager, Western Region

S.J. Thomas, Treasurer

R.A. Cranston, Secretary

PRESIDENT'S REPORT TO SHAREHOLDERS

Notwithstanding adverse economic conditions during Fiscal 1971, we are pleased to report that sales records for Murrith Photofax were achieved. Sales were \$6,360,108 compared to \$5,045,059 in 1970, an increase of 26.1%. Profits were \$332,187 compared to \$313,146 in 1970.

In January of 1971 your new Company name became effective and the transition from Murrith Business Machines Limited to Murrith Photofax Limited has been well received in all areas where your Company has Branches, Sales and Service centres.

In January 1971 as previously reported your Company purchased for cash the Rotaprint Company of Canada Limited. This acquisition has made it possible for Murrith Photofax through its wholly owned subsidiary, Rotaprint Canada (1971) Limited, to market the complete range of Rotaprint Offset Duplicators manufactured by the Rotaprint Companies of Great Britain and Germany. To further the sale of Rotaprint equipment it was necessary to employ a number of additional technical and marketing specialists. As a result of this, losses of approximately \$40,000.00 have occurred in this subsidiary during the past few months. At this time we are pleased to report that a turnaround has been achieved and we expect that this subsidiary will add to Sales and Earnings during our coming fiscal year.

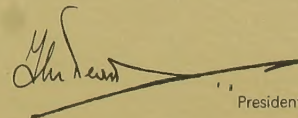
This entry into the Offset market with a complete range of ancillary equipment was the first move into diversification of our product line. The experience learned in this area will help us considerably as we widen our range of products, which will come about as a result of developments into new processes by our principal suppliers.

Savin Business Machines Corporation has already announced plans to enter the following markets; introduction of Plain Bond Paper Copiers, the development as a result of a joint venture with the Columbia Broadcasting System Incorporated of high speed, low cost equipment for the business convenience facsimile market; and also development of certain office equipment in the Word Processing field. Both the facsimile and word processing equipment represent new market areas outside our Photo-copy and Offset Duplicating fields.

Looking ahead to the immediate future, the economy, which showed definite improvements in the last half of our fiscal year, may be affected by the recent surtax imposed by the United States. Hopefully this will not be a permanent factor. Long term, taking into consideration the new products which will be available to our Company, we look ahead with optimism. There is no doubt that with the diversification that this new equipment will bring to Murrith Photofax will result in considerable sales and profit increases.

The year ahead will be a challenge for us. However with the continued support of our employees, customers and stockholders, coupled with the marketing capabilities which we have, we see increases in all phases of our operations.

Sincerely,



President

REVIEW OF OPERATIONS

SALES GAINS

In our last annual report we indicated that immediate plans called for a continuation and expansion of past successful marketing formulas, particularly in the area of office copying. We are pleased to report that our sales performance in fiscal 1970/71 has resulted in a continued growth pattern in which sales increased to \$6,360,108 from \$5,045,059, an increase of 26.1%. 88% of this figure was attributable to electrostatic copying products.

In most of our established market areas, especially in the major urban regions, our rate of sales growth continued at a satisfactory level in spite of numerous adverse pressures. Of these the general economic slowdown, plus a substantial increase in competitive activity, were the most pronounced. Some early technical difficulties were experienced with the newly introduced Savin 215, whose impact on our sales results were thus not felt until later in the year.

Market penetration into new areas, especially in the Provinces of Manitoba, Saskatchewan and Alberta, proceeded at a satisfactory pace. These regions are still in the early stages of sales development, and present indications point to significant increases in our market share during this fiscal year.

Although we derived an increase in net income from sales, two major factors kept these earnings below the levels we were hoping for. First, expenses have risen considerably due in large measure to the requirements of a much larger technical staff than was necessary before. The introduction of new products in both the copying and graphics fields necessitated people with greater technical skills, which in turn demanded more elaborate training facilities and a general increase in payroll costs in this area. Needless to say our overall marketing expansion programme necessitated an

appropriate increase in personnel in all departments. A vigorous cost control programme is now under way.

Second, a general industry decline in prices of electrostatic paper tended to affect profitability adversely. As the demand for copying increased and the number of firms entering the industry grew (especially those solely engaged in selling paper), the erosion of prices became more noticeable. A shift in marketing strategy already under way is expected to reduce significantly the effect of the competitive element and maintain prices at profitable levels.

PRODUCTS

The role of Savin Electrostatic Copiers has been the dominant one in helping to maintain our sales impetus. The proven reliability of the **Savin 220**, in particular, has enabled us not only to create a substantial number of new users, but to retain the repeat supplies business from most customers whose experience with the 220 dates back to four years of satisfactory performance in many instances.

Introduction of the **Savin 230** and **215** Models last year enabled us to widen our market potential by being able to penetrate both the high volume user market (heavily dominated hitherto by Xerox equipment) and that of lower volume users.

During the year we stepped up the special programme, mentioned in last year's report, with which major users of copying equipment could be attracted to our products. This "Fleet Plan" concept enables the customer to negotiate with us his total copying requirements for a year. By guaranteeing to buy a specific amount of paper during the year at the negotiated price, based on the number of machines required, Murrith Photofax will supply the copiers, service, parts and chemicals without extra charge.

The employment of this marketing approach enabled us to gain a very satisfactory foothold into several prestigious companies, some of whom have renewed their contracts for a second year, and to increase our sales to federal and provincial governments. Government sales have been aided by employing a strong "buy Canadian" promotional theme, made possible by the fact that our primary source of paper supply is manufactured by Nashua Canada Limited of Peterborough, Ontario.

By emulating Savin's own "family-of-copiers" sales strategy the Company has gained widespread market acceptance of its products.

The Company's gain in coin-operated installations continue to grow satisfactorily. This has been entirely as a result of the reliability and economical performance of the **Savin 220-C**, our own modification to the standard Savin 220, all components of which are fabricated and assembled in our plant in Toronto. We have avoided the highly competitive copy-vending field, but have concentrated rather on selling and renting these coin-operated machines or, in the case of the Federal Government, placing them on a Fleet Plan basis as described earlier.

ROTAPRINT

Progress in the sale of Rotaprint Offset generally fell below expectations during the year. Our Graphics Division, through Copy Data Reproductions Ltd. (now renamed Rotaprint Canada (1971) Limited) experienced a very slow start due in large measure to the absence of technically experienced personnel in all marketing areas. This deficiency has now been remedied by the appointment of a new Divisional Manager, and the hiring of sales specialists for both graphics products (platemakers, cameras, proofing techniques, etc.) and also Rotaprint Presses and Duplicators.

Through Rotaprint's Montreal Office the Company has now an established marketing organization in Eastern Canada for the sale of all products in our Graphics Division

Peter D. Cornforth has been appointed General Manager of the Rotaprint Division. His considerable experience in the technical and marketing aspects of graphics products will be of great value in helping to expand and increase our market share nationally.

NEW PRODUCTS

Our close relationship with Savin Business Machines Corporation assures us of entry into some new, exciting and highly sophisticated markets in the near future. (It does not, however, prevent us from continuing the expansion of our existing non-Savin products, nor our entry into new fields independently of Savin).

Of these new market areas, and the products associated with them, the **bond paper copier** is probably the most immediately accessible. Savin's research and development facilities embrace several bond paper processes, the first of which is expected to contribute to our sales and earnings in the not-too-distant future.

In December of 1970 Savin announced it had entered a joint venture with Columbia Broadcasting Systems (CBS) for the development of high speed, low cost equipment for the business convenience facsimile market. This **facsimile equipment** will be designed to transmit graphic material over regular telephone lines by inserting an original document into a machine in one city, and having a copy reproduced on a similar device located anywhere else on the continent or in the world. Currently available facsimile products are either slow (three to six minutes transmission time per copy) or expensive. Savin's process, designed to use adaptive band width compression techniques, will feature high-resolution, rapid transmission time and simple operation.

Savin announced its entry into the field of **word processing** in March 1971. Word processing is to-day a \$200 million industry and is expected to grow into a multi-billion dollar industry in the 1970's. Savin's word processor is a device which, when attached to certain typewriters, permits recording of typewritten material, automatic re-typing, correction, and automatic changes in the format of the recorded material.

The products described above will, for the most part, contribute to our long range growth in the seventies. Of more immediate importance is the continuation of our penetration of the still-growing Electrostatic Copier market. We anticipate no decline in our growth during 1971/72 as a result of imaginative marketing techniques, sound products and a high standard of technical skills, all oriented towards meeting exacting consumer demands for quality and service.

MURRITT PHOTOFAX LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

as at August 31, 1971

assets	1971	1970
Current Assets		
Cash	\$ 84,913	\$ 19,077
Accounts receivable, less allowance for doubtful accounts (Note 4)	1,211,357	985,981
Inventories — at the lower of cost or net realizable value	1,834,694	1,290,891
Prepaid expenses	55,128	51,284
	<u>3,186,092</u>	<u>2,347,233</u>
Fixed Assets — at cost, less accumulated depreciation and amortization (Note 3)	585,092	446,783
Excess of cost of shares in subsidiary companies over net book value at date of acquisition	<u>1,192,351</u>	<u>1,192,351</u>
Other Assets		
Contracts, franchises and goodwill — at cost, less amortization,	134,164	104,390
Deferred financing expenses, less amortization	—	5,635
	<u>134,164</u>	<u>110,025</u>
	<u>\$5,097,699</u>	<u>\$4,096,392</u>

liabilities

1971

1970

Current Liabilities

Bank indebtedness (Note 4)	\$1,306,760	\$ 635,523
Accounts payable and accrued liabilities	562,422	536,754
Deferred revenue	5,646	3,145
Income taxes	115,857	145,832
	<u>1,990,685</u>	<u>1,321,254</u>

Mortgage Payable (Note 4)	<u>13,842</u>	<u>14,153</u>
	<u>2,004,527</u>	<u>1,335,407</u>

SHAREHOLDERS' EQUITY**Capital Stock** (Notes 5 & 8)

Authorized —

2,000,000 common shares without par value

Issued and fully paid —

1,308,007 common shares in each year	2,122,344	2,122,344
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Retained Earnings

970,828

638,641

3,093,1722,760,985\$5,097,699\$4,096,392

See accompanying notes.

SIGNED ON BEHALF OF THE BOARD

..... T.M. Devitt Director

..... S.J. Thomas Director

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended August 31, 1971

	1971	1970
Gross Income from Sales, Service and Rentals	<u>✓\$6,360,108</u>	<u>✓\$5,045,059</u>
Earnings before the following items	<u>\$1,012,497</u>	<u>\$ 918,039</u>
Remuneration of directors and senior officers . . .	175,066	142,333
Depreciation and amortization of fixed assets . . .	89,033	71,193
Bank interest (Net)	66,576	35,159
Amortization of franchises	—	3,000
Amortization of financing expenses	5,635	11,208
	<u>336,310</u>	<u>262,893</u>
Earnings before income taxes	<u>676,187</u>	<u>655,146</u>
Provision for income taxes	<u>344,000</u>	<u>342,000</u>
Net Earnings for the Year	<u>✓\$ 332,187</u>	<u>✓\$313,146</u>
Net Earnings per Share (Note 6)	<u>✓ 25¢</u>	<u>✓24¢</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF

RETAINED EARNINGS for the year ended August 31, 1971

	1971	1970
Balance — Beginning of Year	<u>\$638,641</u>	<u>\$325,495</u>
Net earnings for the year	<u>332,187</u>	<u>313,146</u>
Balance — End of Year	<u>\$970,828</u>	<u>\$638,641</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS *for the year ended August 31, 1971*

	1971	1970
Source of Funds		
Net earnings for the year	\$ 332,187	\$ 313,146
Add: Charges not requiring outlay of funds —		
Depreciation and amortization of		
fixed assets	89,033	71,193
Amortization of franchises	—	3,000
Amortization of financing expenses	5,635	11,208
Provided from operations	426,855	398,547
Issue of capital stock	—	1,390,594
	<u>426,855</u>	<u>1,789,141</u>
Use of Funds		
Purchase of fixed assets (Net)	227,342	458,631
Investment in subsidiary companies, excluding working capital acquired	—	1,220,815
Repayment of mortgage	311	205
Acquisition of goodwill and franchises (Net) ...	29,774	10,720
Payment of balance outstanding on prior period acquisition.	—	35,196
	<u>257,427</u>	<u>1,725,567</u>
Increase in Working Capital	169,428	63,574
Working Capital — Beginning of Year	1,025,979	962,405
Working Capital — End of Year	<u>\$1,195,407</u>	<u>\$1,025,979</u>

See accompanying notes.

AUDITORS' REPORT

To the Shareholders of
Murrith Photofax Limited

We have examined the consolidated balance sheet of Murrith Photofax Limited and subsidiary companies as at August 31, 1971, and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination of the financial statements of Murrith Photofax Limited and those subsidiary companies of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary companies.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SMITH, NIXON & CO.
CHARTERED ACCOUNTANTS

TORONTO, November 15, 1971

MURRITT PHOTOFAX LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended August 31, 1971

1. Change of Corporate Name

By supplementary letters patent dated December 21, 1970 the Company changed its corporate name from Murrith Business Machines Limited to Murrith Photofax Limited.

2. Principles of Consolidation

These consolidated financial statements include the accounts of all subsidiary companies.

3. Fixed Assets

	1971		1970	
	Cost	Accumulated depreciation	Net	Net
Rental machines	\$573,380	\$102,492	\$470,888	\$353,315
Furniture and equipment	83,029	34,644	48,385	34,235
Land and building	21,700	910	20,790	21,700
Automobiles	32,927	17,933	14,994	15,663
Leasehold improvements	39,045	9,010	30,035	21,870
	<u>\$750,081</u>	<u>\$164,989</u>	<u>\$585,092</u>	<u>\$446,783</u>

4. Commitments

- The bank indebtedness is secured by general assignments of accounts receivable and inter-company guarantees and assignment of fire insurance of a subsidiary company.
- The mortgage payable in the amount of \$13,842, bears interest at 6¼% per annum and is secured by land and building having a cost of \$21,700.
- Total rentals for the year ended August 31, 1971 aggregated \$105,012. Minimum annual rentals (excluding taxes and like expenses) under leases of a duration of more than five years will be \$27,456 from 1972 to 1974; and \$43,930 from 1975 to 1984. As at August 31, 1971 the aggregate minimum future commitment with respect to these leases was \$521,668.

5. Share Purchase Warrants

112,475 shares of the Company's capital stock have been reserved for issuance upon the exercise of share purchase warrants outstanding. Each warrant entitles the holder thereof to purchase one share of the Company's stock at a price of \$3.50 on or before March 31, 1972.

6. Net Earnings Per Share

The net earnings per share are calculated using the weighted monthly average number of shares outstanding during the respective years. The exercise of outstanding share purchase warrants would not have a dilutive effect on 1971 net earnings per share.

7. Contingent Liability

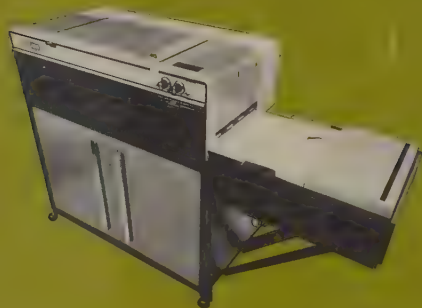
The Company is contingently liable for customers' equipment leases purchased by finance companies. As at August 31, 1971, the total balance of such leases outstanding was \$351,975.

8. Events Subsequent to Year End

On November 12, 1971, the Company entered into an agreement, effective December 31, 1971, to purchase certain of the assets of Electrostatic Business Machines Ltd., (a subsidiary of Savin Business Machines Corporation of Valhalla, N.Y.) including its distributorship agreement and goodwill, in exchange for 60,000 shares of the Company's capital stock, to which the Company's directors ascribed a value of \$300,000.

Also, on November 12, 1971, effective December 31, 1971, the Company entered into a ten year franchise agreement with Savin Business Machines Corporation, replacing its existing dealership agreement, under which the Company will become the exclusive distributor for present and future business equipment of Savin Business Machines Corporation for all of Canada and Alaska, U.S.A.

THE ROTACOPY SYSTEM



SAVIN ELECTROSTATIC MASTER MAKER



ROTAPRINT TTR DUPLICATOR



ROTAPRINT VERTICAL CAMERAS



ROTAPRINT R40



SAVIN 230 ELECTROSTATIC COPIER



SAVIN 215 ELECTROSTATIC COPIER



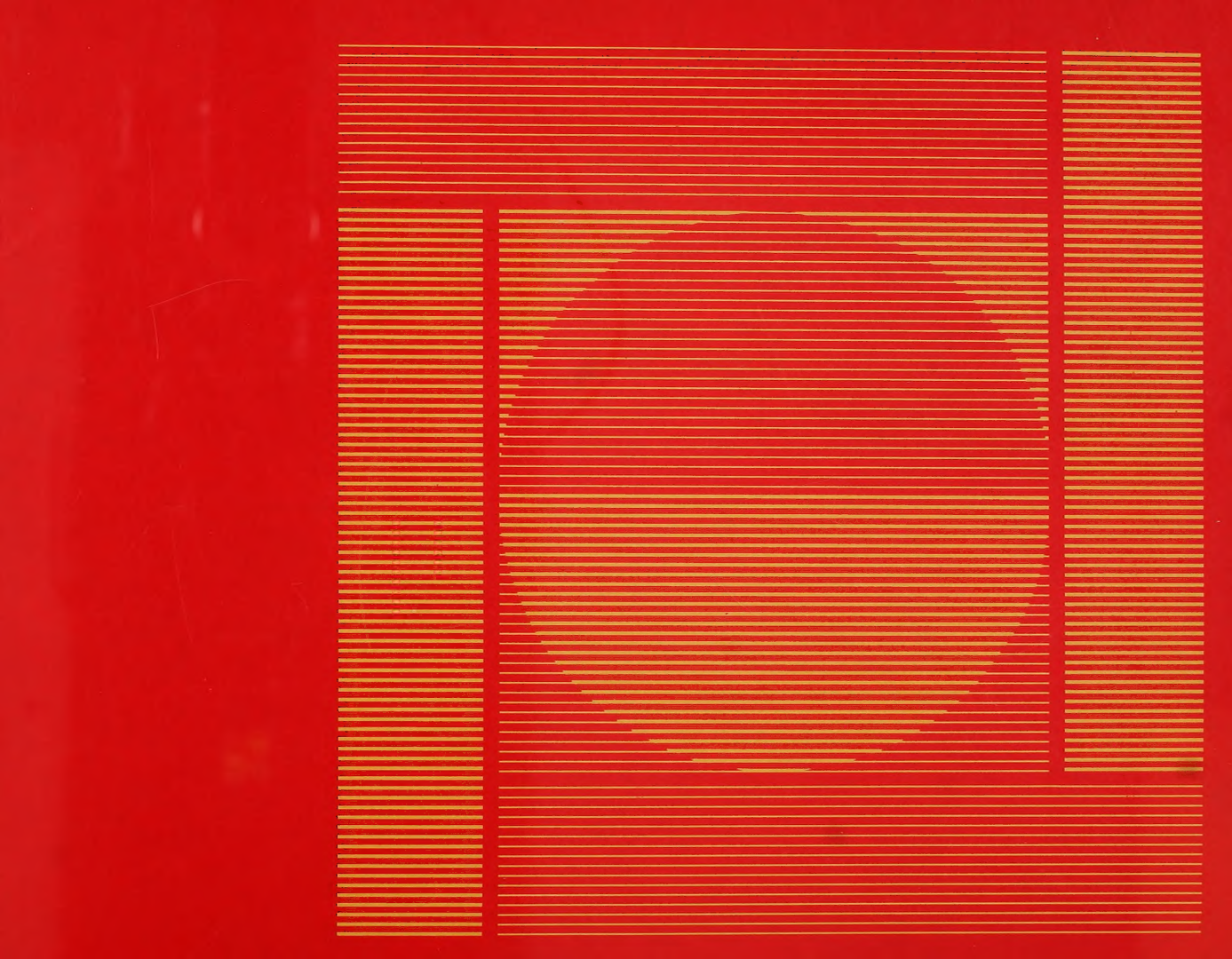
MURRITH PHOTOFAX LIMITED

Head Office

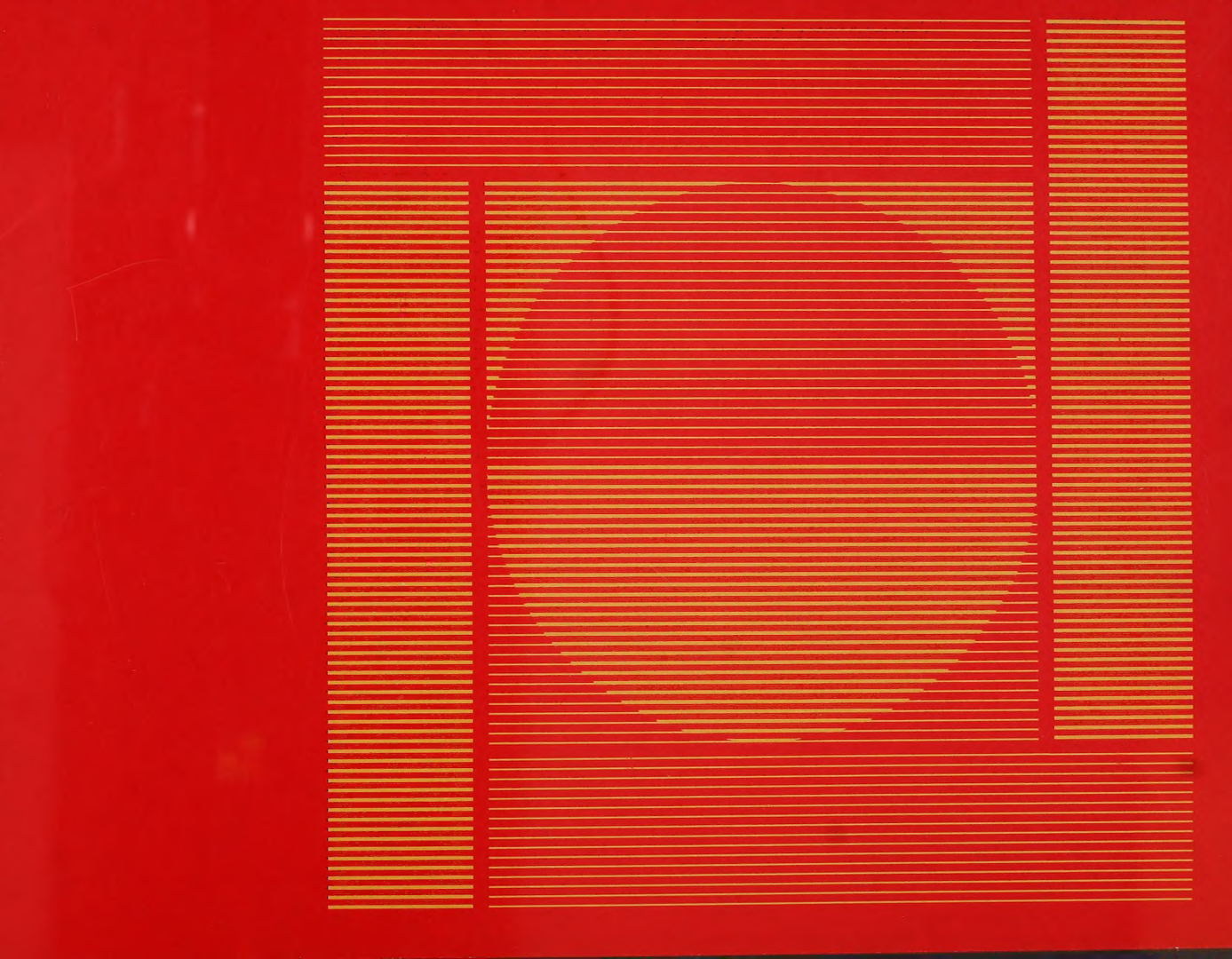
349 EVANS AVENUE, TORONTO 18, ONTARIO

BRANCHES

Calgary	Lethbridge	Peterborough	Sudbury
Cranbrook	London	Prince Albert	Terrace
Dawson Creek	Montreal	Prince George	Vancouver
Edmonton	Nelson	Prince Rupert	Victoria
Grande Prairie	North Bay	Red Deer	Whitehorse, Y.T.
Kamloops	Ottawa	Regina	Winnipeg
Kelowna		Saskatoon	Yellowknife, N.W.T.



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